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August 31, 2010

The Honorable Edward J. DeMarco  
Acting Director  
Federal Housing Finance Agency  
1700 G Street, NW  
Washington, D.C. 20552-0003

Dear Acting Director DeMarco:

I am writing to express my deep concern regarding the Federal Housing Finance Agency (FHFA) letter released last Friday. I am equally concerned with the guidelines that FHFA released today regarding the current commitments of PACE assessments up to July 6, 2010. As a Member of Congress who has been heavily involved in the stakeholder meetings to resolve the uncertainty surrounding the PACE program, I strongly believe your actions are not warranted at this time as negotiations are still ongoing. Moreover, I am deeply concerned that FHFA staff, as a result of your recent actions, will not have an incentive to try to resolve the uncertainty surrounding the PACE programs. I strongly urge FHFA to immediately reengage in good faith negotiations with the Administration, Congress and relevant Federal regulators to restore PACE financing programs in a timely manner.

PACE financing programs are critical components in achieving long-term energy independence and making our nation a leader in the global clean energy economy. My home district of Sacramento, California is well positioned to be a leader in manufacturing energy efficiency technologies, and PACE financing programs are critical components to achieving these energy efficiency goals. As I have mentioned in our meetings, many homeowners and businesses understand this straightforward program. They are willing to participate in the program because the simple nature of its financial assessment structure makes purchasing energy efficiency home improvements more affordable than other financing means. PACE programs will allow local clean energy businesses to sell more of their energy efficiency products and expand their manufacturing operations or facilities and hire new workers. Homeowners will see the economic benefit of the PACE program in their reduced utility bills and in added equity to their homes.

Moreover, the PACE program is about jobs; and our national goals of creating hundreds of thousands of new, good paying jobs in the clean energy economy. At a time when our nation's construction unemployment rate is above 25 percent, PACE programs have proved to be a true job creator. According to the latest estimates, for every 100,000 homes that are retrofitted, with an average expenditure of \$10,000, more than 10,000 jobs would be created. Home energy retrofits and installations are American jobs that cannot be outsourced to any other country.

In California, PACE programs are expected to create more than 21,000 jobs, leveraging more than \$1 billion in local investment throughout the State. In Sacramento, the PACE program's initial phase is expected to create more than 700 jobs and leverage more than \$170 million in economic output, according to a recent report by the Center for Strategic Economic Research. In addition, the study found that this work could also generate close to \$11 million in State and local taxes from economic activity, a measure which Sacramento County and the State of California desperately need during this time of economic challenges. Furthermore, estimates from a local energy provider, Sacramento Municipal Utility District, suggest that, on an annual average basis, Sacramento households could see net cost savings totaling nearly \$1.9 million all while reducing strains on the energy grid. In short, the PACE program will have a positive impact on the Sacramento region, the State of California, and our national economy.

The Obama Administration has demonstrated strong support for the PACE financing programs. Shortly after FHFA's decision to halt the PACE program on July 6th, I, along with 59 of my colleagues, including House Speaker Nancy Pelosi, sent a letter to the President urging his unwavering support and timely assistance in restoring the PACE program. Since that letter, the Administration has reaffirmed their strong commitment to preserving the PACE program in their letter released on July 27th. Moreover, as part of the American Recovery and Reinvestment Act (P.L. 111-5), Congress included \$150 million in funding specifically to support PACE financing programs, making it the law of the land. Your July 6th letter effectively challenged that law and put in jeopardy funding allocated to municipalities and states to implement and promote PACE financing programs. Your action forced the State of California to move to preserve the \$30 million in ARRA funding intended for the PACE program, including nearly \$2 million for Sacramento County. However, I was very pleased that the California Energy Commission, during its meeting on July 29th, reaffirmed its strong support for the PACE program, urged FHFA to restore the program, and indicated its intent to immediately implement the PACE program once it is restored.

Again, I am deeply concerned by the letter you released on Friday indicating that the FHFA will not continue to seek a resolution to the issues surrounding the PACE program, and your announcement today regarding the current commitments of PACE assessments. I and many of my colleagues will not accept this as the final word and will continue to seek a resolution that meets the needs of all stakeholders. I urge you to immediately reengage in negotiations with the Administration, Congress, and relevant regulatory agencies to work to restore the PACE financing programs. I will continue to work with my colleagues to resolve the uncertainty surrounding the PACE program and explore all options to restore the PACE financing programs. I look forward to your reengagement in this process to ensure that our efforts to reinstate the program are implemented in a timely manner.

Sincerely,



DORIS O. MATSUI  
Member of Congress